



# State Board of Accounts

Indiana State Library  
Spring Workshop  
May 27 and June 2, 2021

*Welcome!*



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# Legislative Update

Indiana State Board of Accounts - 2021



[www.commonswikimedia.org](http://www.commonswikimedia.org)

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## HEA 1169 - Public Law 134-2021 Cybersecurity

- ▶ Requires the office of technology to maintain a repository of cybersecurity incidents.
- ▶ Provides that a state agency and a political subdivision shall:
  - ▶ (1) report any cybersecurity incident to the office without unreasonable delay and not later than two business days after discovery of the cybersecurity incident in a format prescribed by the chief information officer; and
  - ▶ (2) provide the office with the name and contact information of any individual who will act as the primary reporter of a cybersecurity incident before September 1, 2021, and before September 1 of every year thereafter.
- ▶ Provides that if requested by a political subdivision, the office may develop a list of third party technology providers that work with the office.
- ▶ **Don't forget, you are still required to report a material loss to the State Board of Accounts in accordance with IC 5-11-1-27.**

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## HEA 1271 - Public Law 38-2021

- ▶ Department of Local Government Finance
- ▶ Increases the amount that a political subdivision may transfer into its Rainy Day fund from 10% to 15% during calendar years 2021 through 2024.

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## HEA 1437 - Public Law 88-2021 Electronic Meetings and Signatures

- ▶ Rules for electronic meetings in times of non-emergency
- ▶ Rules for electronic meetings when a state or local disaster emergency has been declared
- ▶ Electronic signatures on bonds have the same force and effect as manual signatures

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## HEA 1437 - Public Law 88-2021 Electronic Meetings and Signatures

Rules for electronic meetings when a state or local disaster emergency has been declared.

- ▶ Physical meeting is not required until disaster emergency is terminated
- ▶ Board may meet by any means of electronic communication if
  - ▶ 1. At least a quorum of the members participate in the meeting either electronically or in person
  - ▶ 2. The public can simultaneously attend and observe the meeting.
- ▶ Meeting minutes have information on the members present in person or by electronic means, members absent, the identification of the electronic means of communication by which members of the governing body participated and the public attended and observed.
- ▶ All votes taken during the meeting must be by roll call vote.
- ▶ **It is our audit position** that meeting minutes may be signed electronically if board has written policy.

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## HEA 1437 - Public Law 88-2021

### Electronic Meetings - in times of non-emergency IC 5-14-1.5-3.5

- Permitted if the electronic means of communication allows all participating members to simultaneously communicate with each other and allows the public to simultaneously attend and observe the meeting.
- The library board **shall adopt a written policy** establishing the procedures that apply to a member's participating in a meeting by electronic means - can be more restrictive than Indiana Code.
- A member participating electronically is considered present for purposes of establishing a quorum.
- A member may participate in final action taken only if the member can be seen and heard.
- Meeting minutes have information on the members present in person or by electronic means, members absent, the identification of the electronic means of communication by which members of the governing body participated and the public attended and observed.
- **It is our audit position** that meeting minutes may be signed electronically if board has written policy.
- All votes taken during the meeting must be by roll call vote.

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## HEA 1437 - Public Law 88-2021

### Electronic Meetings - in times of non-emergency IC 5-14-1.5-3.5 (continued)

- At least fifty percent (50%) of the members of the governing body must be physically present at a meeting.
- A member of the governing body may not attend more than fifty percent (50%) of the governing body's meetings in a calendar year by means of electronic communication, unless the member's electronic participation is due to certain listed situations.
- A member of a governing body may not participate in a meeting of the governing body by electronic communication if the governing body is attempting to take final action to: (1) adopt a budget; (2) make a reduction in personnel; (3) initiate a referendum; (4) establish or increase a fee; (5) establish increase a penalty...
- A governing body may not prohibit a member of the governing body from attending consecutive meetings by electronic communication.
- A member may attend two (2) consecutive meetings (a set of meetings) by electronic communication.
- A member shall physically attend at least one (1) meeting between sets of meetings that the member attends by electronic communication, unless the member's absence is due to certain listed situations.

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## SEA 332 - Public Law 152-2021

### Publication of notice by political subdivisions

- ▶ (l) A political subdivision that is required under IC 5-3-1 to publish notice in a newspaper two (2) or more times may make:
  - ▶ (1) the first publication of notice in a newspaper as required under IC 5-3-1-4 of this chapter or the applicable statute; and
  - ▶ (2) all subsequent publications of notice:
    - ▶ (A) in accordance with IC 5-3-5; and
    - ▶ (B) on the official web site of the political subdivision.
- ▶ If a political subdivision is required to publish a notice two (2) or more times in at least two (2) newspapers contemporaneously, the first publication of the notice includes the first publication of the notice in both newspapers.

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## SEA 332 - Public Law 152-2021

### Publication of notice by political subdivisions (*continued*)

- ▶ Sec. 5. The notice must:
  - ▶ (1) be in a location on the official web site where the notice is easily accessible and identifiable; and
  - ▶ (2) remain on the official web site not less than seven (7) days after the last posting date required by law has expired.
- ▶ The political subdivision...contracts with the political subdivision... to administer the official web site, shall:
  - ▶ (1) create a printed copy of any notice posted on the official web site in a format that includes the date of publication on the first day that the legal notice is published on the official web site; and
  - ▶ (2) maintain a printed copy of any notice for archival and verification purposes.
- ▶ A proof of publication must be furnished upon request. The proof of publication must state that the notice was posted from the initial date through the last posting date required by law.

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## SEA 332 - Public Law 152-2021

### Publication of notice by political subdivisions (*continued*)

- ▶ Proof of publication of an electronically published notice for the purpose of complying with public notice requirements is satisfied and considered conclusive upon the provision of the proof of publication described in IC 5-3-5-6 of this chapter:
  - ▶ (1) executed by the official designated as responsible for the electronic publication under section 8 of this chapter; and
  - ▶ (2) stating that the notice was posted from the initial date through the last posting date required by law.
- ▶ The political subdivision shall:
  - ▶ (1) designate an official of the political subdivision to be responsible for electronic publications; and
  - ▶ (2) post the official's name and contact information on the official web site.

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## The Enhanced Regulatory Basis of Accounting

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## Updates to the Regulatory Report Format

- Elements of GAAP Reporting
- Financial Statement Presentation
- Note Disclosures

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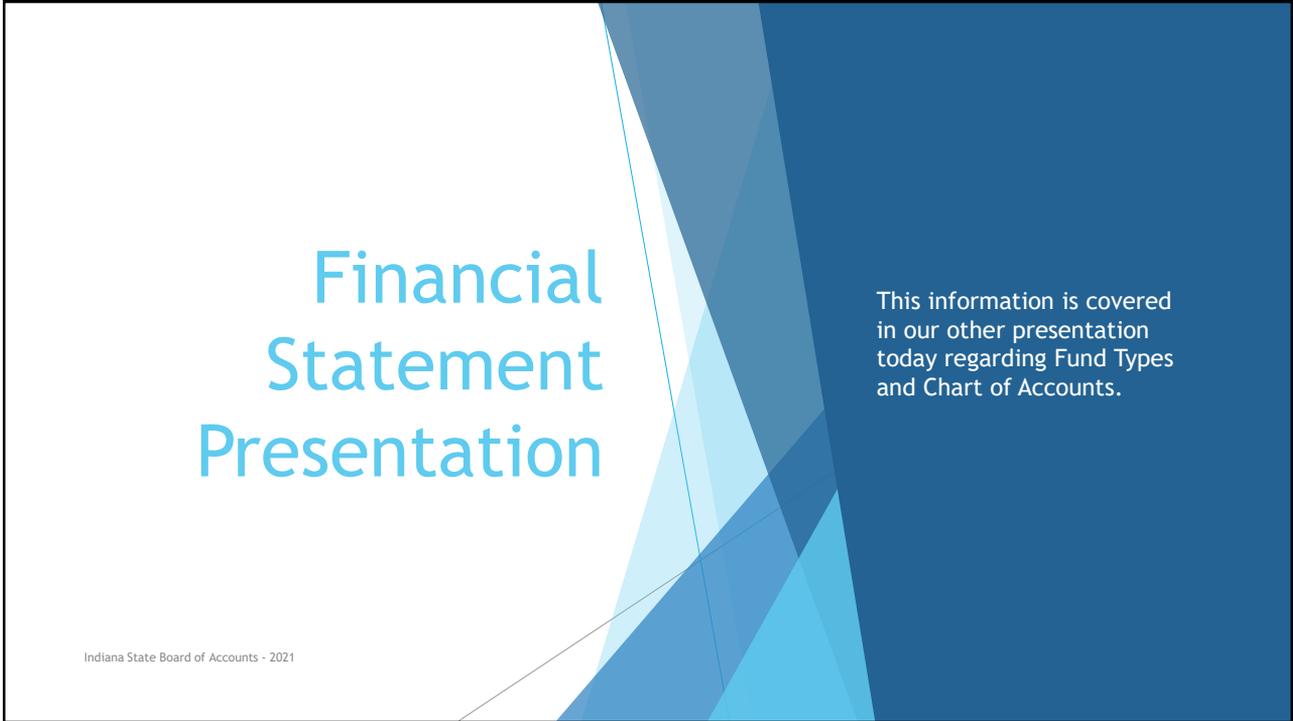
## Schedule of Regulatory Changes

Current Regulatory	Regulatory for 2019 Calendar Year Units	Regulatory for 2020 Calendar Year Units
FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS
<b>Statement of Receipts, Disbursements, and Cash and Investment Balances</b> - Shows total receipts, disbursements, and ending balance for each fund	<b>Statement of Receipts, Disbursements, and Cash and Investment Balances</b> - The Combining Schedules from the supplementary information will be shown as the Statement of Receipts, Disbursements, and Cash and Investment Balances - Shows detailed, instead of total, receipts and disbursements for each fund and ending balance (i.e. receipts from taxes, charges for services, intergovernmental, etc.)	<b>Statement of Receipts, Disbursements, and Cash and Investment Balances</b> - Financial statement will show fund type classifications. The information submitted in Gateway will be aggregated and presented in the appropriate fund type classification. - Fund types shown will be as follows: General, Special Revenue, Capital Projects, Debt Service, Permanent, Enterprise, and Fiduciary
NOTES TO THE FINANCIAL STATEMENTS	NOTES TO THE FINANCIAL STATEMENTS	NOTES TO THE FINANCIAL STATEMENTS
<b>Summary of Significant Accounting Policies</b> - Reporting entity - Basis of accounting - Cash and investments	<b>Summary of Significant Accounting Policies</b> - No changes to existing accounting policy notes - Added a section for capitalization thresholds to indicate what qualifies as a capital asset	<b>Summary of Significant Accounting Policies</b> - No changes

Visit [www.in.gov/sboa](http://www.in.gov/sboa) to view the entire document

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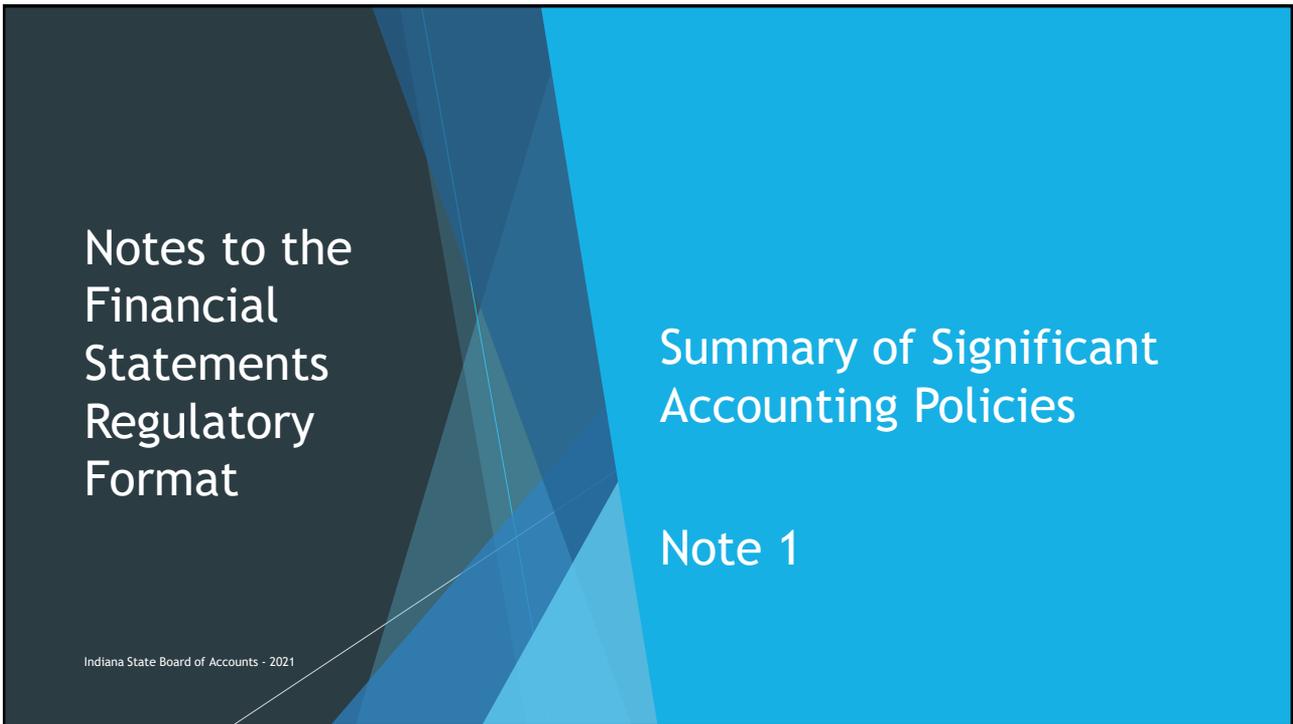
Financial Statement Presentation

This information is covered in our other presentation today regarding Fund Types and Chart of Accounts.

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Notes to the Financial Statements Regulatory Format

Summary of Significant Accounting Policies

Note 1

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# Summary of Significant Accounting Policies

- Reporting Entity
- Basis of Accounting
- Cash and Investments
- Receipts
- Disbursements
- Interfund Transfers
- Fund Accounting
- CAPITAL ASSETS to be added for 2021**

No Changes under Enhanced Regulatory except Capital Assets

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## Summary of Significant Accounting Policies Capital Assets **Draft**- Enhanced Regulatory

- Classes of Assets
- Historical Cost
- Capitalization Policy and Threshold

**H. Capital Assets**

Capital assets, which include land, construction in progress, buildings, improvements other than buildings, machinery, equipment, vehicles, books, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the capital asset schedule contained in the supplemental information. Items are capitalized when their value exceeds the threshold established by the Town and its estimated useful life is greater than one year.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Donated assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement are reported at acquisition value. Renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are considered an operating expense.

The capital asset threshold established by the Town is \$5,000. ←

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Notes to the Financial Statements Regulatory Format

- Budgets
- Property Taxes
- Deposits and Investments
- Risk Management

No Changes under Enhanced Regulatory

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Notes to the Financial Statements Regulatory Format

- Long-term Debt
- Short-term Debt
- Leases
- Cash Balance Deficits

Changes under Enhanced Regulatory

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## Enhanced Regulatory Long-Term Debt Note

- **Changes in long-term debt**
  - *Beginning and ending balances*
  - *Activity during the year*
  - *Payment due in next year*
  
- **Debt service requirements to maturity**
  - *Payments for the next five years*
  - *Payments in five-year increments until maturity*
  - *DLGF amortization schedule*

Information is already available in Gateway through AFR and Debt Management Report

Indiana State Board of Accounts - 2021 **Keep this information up to date!**



## Short-term Debt - 2020 **Draft**

- ▶ Beginning and ending balances
- ▶ Additions and reductions
- ▶ Description of the purpose for which debt was issued

**Note X. Short-Term Debt**

Purpose	Beginning Balance 1/1/20	Addition	Reduction	Ending Balance 12/31/20
Tax anticipation warrants	\$ -	\$ 110,000	\$ (110,000)	\$ -

The Town issues tax anticipation warrants in advance of property tax collections, depositing the proceeds in its general fund. These warrants are necessary because the Town's payments are made on January 1 and July 1, whereas tax collections are received shortly before their May 10 and November 10 due dates.

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## Enhanced Regulatory - Leases Note Disclosure

Information is already available in Gateway through AFR and Debt Management Report

- **General Description of Leasing Arrangements**
  - *including lease term*
  
- **Principal and Interest Requirements to Maturity**
  - *Debt Management Report Amortization Schedule*

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## Interfund Activity - Transfer v. Loan

A transfer permanently moves money from one fund to another.

An interfund loan is a temporary transfer and must be paid back to the original fund.

- ❖ Indiana Code 36-1-8-4

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## Interfund Activity - Enhanced Regulatory

- ▶ The Note will show transfers from one fund to another - this information is obtained from the Transfer Schedule you already complete in the AFR.
  - ▶ *Your Transfer Schedule should match the transfers shown in the financial data by fund section.*
- ▶ The Note will also include interfund loans which were not repaid by 12/31 along with an explanation as to why the amounts were not repaid.

Information is already available in Gateway through the AFR for Transfers.

We will let you know if AFR changes will be made regarding interfund loans.

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## Cash Balance Deficits Current Regulatory

- Name of the funds
- Reason for Deficit

Information is already available in Gateway through the AFR Financial Data by Fund section.

### **Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. As of December 31, 2017, there were payroll withholding fund deficits that were the result of timing of payments of withholding to the payroll agents and insurance vendors. In addition, the LFD Smoke Alarms fund, a donation fund, had a cash deficit due to there being a cash deficit as of December 31, 2016, that carried over.

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Notes to the Financial Statements Regulatory Format

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- Significant Contingent Liabilities
- Significant Commitments
- Subsequent Events

We will let you know if AFR changes will be made regarding this information.

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Notes to the Financial Statements Regulatory Format

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- Pensions
- Other Post Employment Benefits (OPEB)

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## OPEB Current Regulatory

- Type of benefit offered
- The fact that the plan does not pose a liability to the city or town
- Instructions on how to obtain plan information

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# OPEB - Enhanced Regulatory

- ▶ Plan description
- ▶ Benefits provided
- ▶ Actuarial information, *if any*
- ▶ Contributions

See SBOA Training from the fall 2020 Workshop for more information on OPEB!

This information is already available in Gateway through the AFR.

Indiana Bookkeeping Workshop - Fall 2020

- [Caldwell - Virtual Audit Expectations](#)
- [Gordon - CARES](#)
- [Gordon/Caldwell - Year-End Topics](#)
- [Tinsley - Other Post Employment Benefits \(OPEB\)](#)

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All New with Enhanced Regulatory

## Summary of Significant Accounting Policies

- Tax Abatements
- Related Party Transactions
- Joint Ventures
- Conduit Debt

We will let you know if Gateway changes will be made for these items.

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## Tax Abatements

- ▶ Under GASB 77, the term “tax abatement” is defined as follows:
- ▶ “A reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which
  - ▶ (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and
  - ▶ (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.”

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## Tax Abatements *(continued)*

- ▶ For Tax Abatements of another political subdivision that affects your tax revenues
- ▶ 1. Document the other governmental units (County, City/Town) that entered into the agreements and the specific taxes being abated.
- ▶ 2. Document the gross dollar amount, on an accrual basis, by which your tax revenues were reduced during the reporting period as a result of the agreements.
- ▶ 3. If there are any amounts due or paid to your governmental unit by another governmental unit to offset the loss of tax revenues, you will need to document those payments both promised and received. Include the authority under which the amounts were or will be paid.

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## Tax Abatements (*continued*)

- ▶ In Indiana the statute that covers abatements may be found under IC 6-1.1-12.1.
- ▶ Much of the information that is required to be disclosed is contained in the forms used to apply for and receive abatements and those forms are filed with the county auditor's office.
- ▶ In addition, there should be resolutions passed by the county, city or town that would contain information on the abatements.
- ▶ At the end of each year, the county auditor is required to publish in a newspaper and file a report with Department of Local Government Finance, that lists all deduction applications filed that year for which deductions were approved, which would also provide information on abatements.

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## Related Party Transactions

- ▶ Nature of relationship and transaction that occurred
- ▶ Dollar amount of any receivables or payables

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## Joint Ventures

- ▶ A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an **ongoing financial interest** or (b) an **ongoing financial responsibility**.
- ▶ Ongoing Financial Interest : An arrangement that allows a participating government to have access to the joint venture's resources
- ▶ Ongoing Financial Responsibility: A participating government is obligated in some manner for the debts of the joint venture, or the joint venture's continued existence depends on funding by the participating government.
- ▶ Financial Statement Note will include a description of joint venture and the financial interest or financial responsibility in the joint venture

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## Conduit Debt - 2020

- Description of transactions
- Aggregate amount of all conduit debt outstanding

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Notes to the Financial Statements  
Regulatory Format

# Capital Assets

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# Current Regulatory Format

- \*Supplementary Information
- \*Ending Balance Only
- \*Compliance

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**SCHEDULE OF CAPITAL ASSETS**  
December 31, 2019

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
<b>Governmental activities:</b>	
Land	\$ 66,266
Buildings	6,318,390
Improvements other than buildings	68,373
Machinery, equipment, and vehicles	287,977
Books and other	1,948,225
<b>Total governmental activities</b>	<b>8,689,231</b>
<b>Total capital assets</b>	<b>\$ 8,689,231</b>



## Enhanced Regulatory Updates

- Capital Asset Additions and Reductions
- Accumulated Depreciation
- Financial Statement Note Disclosure 2021

Information for additions and reductions is already in Gateway through the AFR

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## Capital Asset Note *(draft)* - Enhanced Regulatory

### Note X. Capital Assets

#### General Government Assets

#### Capital assets not being depreciated

	Beginning Balance 01/01/20	Additions	Reductions	Ending Balance 12/31/20
Land	1,371,633	500,000	49,682	1,821,951
Construction in progress	75,000	25,000	-	100,000
<b>Total capital assets not being depreciated</b>	<u>1,446,633</u>	<u>525,000</u>	<u>49,682</u>	<u>1,921,951</u>

#### Capital assets being depreciated

Infrastructure	1,591,231	352,789	256,251	1,687,769
Buildings	25,348,431	3,500,000	1,750,000	27,098,431
Improvements other than Buildings	-	-	-	-
Machinery, Equipment and Vehicles	9,476,302	2,000,000	1,260,350	10,215,952
<b>Total capital assets being depreciated</b>	<u>36,415,964</u>	<u>5,852,789</u>	<u>3,266,601</u>	<u>39,002,152</u>

#### Less: Accumulated depreciation

Infrastructure	106,612	23,637	17,169	113,080
Buildings	1,698,345	234,500	117,250	1,815,595
Improvements other than Buildings	-	-	-	-
Machinery, Equipment and Vehicles	634,912	134,000	84,443	684,469
<b>Total accumulated depreciation</b>	<u>2,439,870</u>	<u>392,137</u>	<u>218,862</u>	<u>2,613,144</u>

#### Net capital assets being depreciated

	<u>\$ 33,976,094</u>	<u>\$ 5,460,652</u>	<u>\$ 3,047,739</u>	<u>\$ 36,389,008</u>
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## Checklist

- Establish Capitalization Policy
- Establish a Depreciation Policy
- Maintain Capital Assets Ledger (prescribed form)
- Identify Capital Assets by Activity
- Identify Capital Assets by Major Class
- Confirm Beginning Balance for 2021
- Report Additions to Capital Assets
- Report Reductions in Capital Assets
- Compare Ending Balance to Capital Assets Ledger
- Document Basis for Valuation and Estimated Useful Life
- Establish Internal Controls

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## 2021 Audit Information

- ▶ Capitalization Policy
- ▶ **Depreciation Policy**
- ▶ **Depreciation Calculations**
- ▶ Capital Assets Ledger
- ▶ Supporting Documentation
- ▶ Documented Basis for Asset Valuation
- ▶ Documented Basis for Estimated Useful Lives
- ▶ Internal Controls

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# SBOA Articles

## *Bulletin and Uniform Compliance Guidelines*

*Establishing the Estimated Cost of Capital Assets, June 2018 p. 29*

*Inventories of Capital Assets, March 2014, p. 3*

## *Accounting and Uniform Compliance Guidelines Manual*

*Depreciation of Utility Assets, p. 3-55;*

*Estimated Useful Lives of Capital Assets p. 3-58*

SBOA Best practices; [www.in.gov/sboa](http://www.in.gov/sboa)

YouTube Video on Capital Assets: <https://www.youtube.com/watch?v=oPIbqV1J9jo>

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